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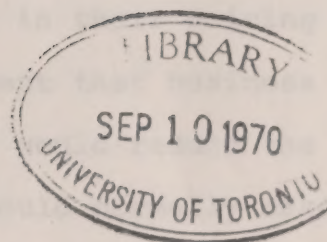
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August 17, 1970.

[General Publications]



11] CITRIC ACID AND SODIUM CITRATE PRICES

Prices and Incomes Commission

John H. Young  
Chairman

Bertram G. Barrow  
Commissioner

al Gérin-Lajoie  
ce-Chairman

George E. Freeman  
Commissioner

George V. Haythorne  
Commissioner

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CANADA



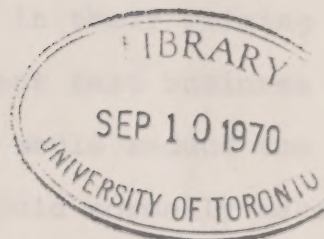
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CITRIC ACID AND SODIUM CITRATE PRICES

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Vice-Chairman

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Commissioner



## FOREWORD

Following discussions with representatives of the Canadian business community, the Prices and Incomes Commission called a National Conference on Price Stability in order to obtain a consensus on a national policy to combat inflation. Those present at the conference, held in Ottawa on Feb. 9-10, 1970, indicated a willingness to exercise a meaningful degree of restraint in their pricing policies in 1970. There was broad agreement that business firms generally, if called upon to do so, would reduce the number and size of price increases they would normally make in 1970 and would ensure that price increases were clearly less than the amount needed to cover the increases in costs at a normal volume of output and sales.

Provision was made at the conference for the Prices and Incomes Commission to review price increases to determine whether they comply with these criteria.

At a Federal-Provincial Conference of First Ministers, held in Ottawa on Feb. 16-17, 1970, participating governments endorsed the Commission's plan.

Governments expressed the hope that sanctions would not be required but agreed that if necessary they would use such means as are within their control to deal with cases of serious non-compliance with the pricing criteria.

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## CITRIC ACID AND SODIUM CITRATE PRICES

Background

Pfizer Co. Ltd., the Canadian subsidiary of Pfizer International Inc., advised the Prices and Incomes Commission on July 8, 1970, that price increases ranging from 3.3 per cent to seven per cent were being contemplated on citric acid and sodium citrate sales east of the Rockies. A similar price increase had been instituted affecting west coast sales only on April 1, 1970. Pfizer's purpose in contacting the Commission was to determine whether the existing and contemplated increases in 1970 were within the price guidelines established at the National Conference on Price Stability.

The Products

Citric acid is manufactured by the fermentation of carbohydrates. The end product is then extracted from the solution by injecting lime, which forms calcium citrate. This substance is then purified back to citric acid. Sodium citrate, an ester of citric acid, can be manufactured by the neutralization of citric acid with some appropriate base such as caustic soda.



### Main Uses

Pfizer is the only domestic manufacturer with the other suppliers consisting of distributors of off-shore production. The principal uses of the products are in the food and beverage industries which respectively account for approximately 45 per cent and 30 per cent of the total market. Other less important uses include the pharmaceuticals industry and in heavy duty industrial applications such as boiler cleaning.

### Pricing

Pfizer is the only domestic manufacturer and is the price leader for this product in Canada. Relatively stable prices have prevailed over the last several years. The last over-all increase, approximately 2.5 per cent prior to those under review, took place on Dec. 1, 1968.

Price increases presently contemplated for citric acid sales range from 3.3 per cent to 4.1 per cent, depending on destination. Sodium citrate, which is marketed in granular and fine granular forms, is sold in considerably less volume than citric acid and the



increases range from a low of 3.5 per cent for granular to a high of 7.0 per cent for some classifications of fine granular. Over-all increases of the products under review are in the four-per-cent area on an annual basis. For 1970 the company will have the benefit of approximately one per cent in incremental revenues.

### Cost Factors

Two major cost factors have affected the company's decision to adjust **prices upward**. These are increases in the cost of materials and direct labor. The former is the more important as it accounts for over half of total costs. The over-all material cost increase has been in the order of 6.5 per cent. Wage and benefit settlements amounting to  $8\frac{3}{4}$  per cent have also been a factor but, as labor is a relatively small component of total costs, the over-all effect is not as great.

Detailed data provided by the company and reviewed by the Commission clearly indicate that even with the price adjustment the firm's net profit before tax during 1970 will be materially lower than in 1969.

### Conclusion

In view of the foregoing, the company's proposed price increases are clearly within the price restraint criteria.

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